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2nd Workshop of the project "101101784 - 2022-IT-FRED2"
Fraud Repression through Education2
"MAPPING KNOWLEDGE IN THE FIGHT AGAINST FRAUD."

The implementation of NRRP project in particular sectors

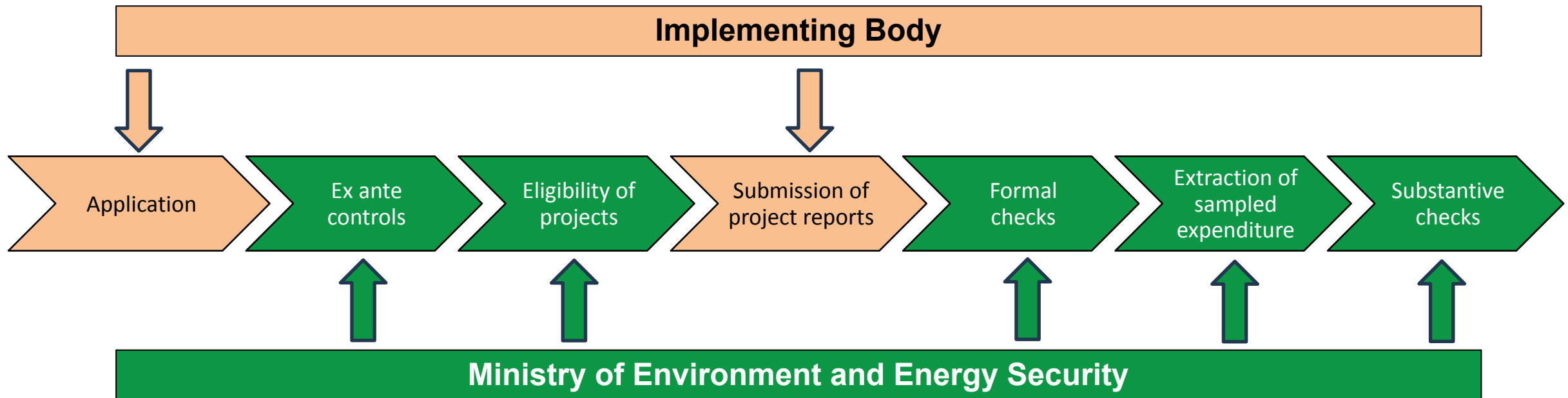
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of the Ministry of Environment and Energy Security (National Recovery and Resilience Plan - NRRP measures)

Venice, February 19, 2024

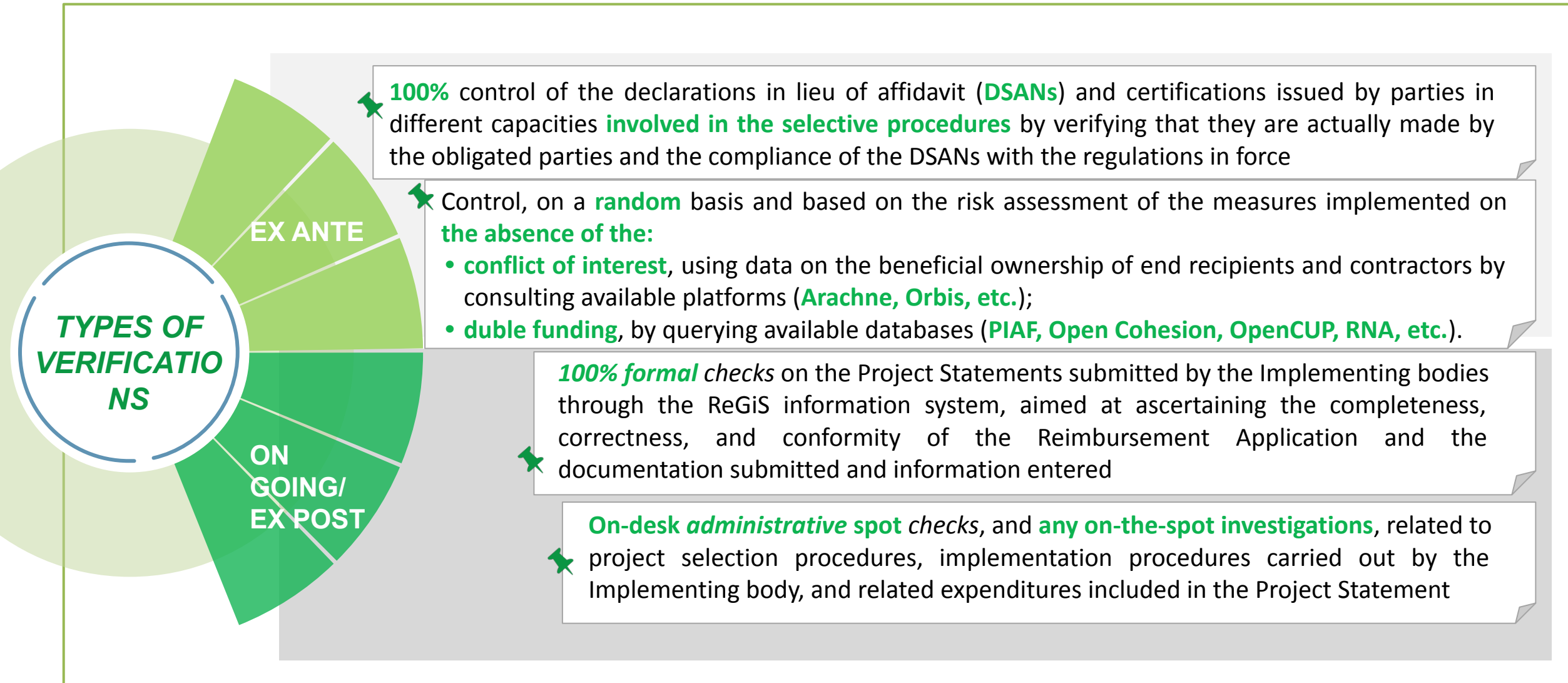
The tool of fraud risk for NRRP M&T.

Risk analysis for expenditure sampling

This is a risk analysis aimed at identifying the levels of risk associated with the expenditure reported by implementing bodies for projects related to the realization of NRRP targets and milestones in order to extract the sample to be subjected to substantive control by the UDM Audit Office.



Types of verification



Risk analysis for expenditure sampling

The risk factors generally identified for assessment are inherent (or inherent) risk and **control risk**.

The **inherent risk** considered takes into account:

- Of the complexity of the implementing party's organizational structure;
- Of the number of projects managed;
- The presence and numerosity of milestones and targets managed at the project level;
- Of the financial volume of projects managed;
- *Experience* in relation to specific project management activities co-financed with European funds and/or NRRP (*Capacity building criteria*)

Control risk takes into account:

- Of the complexity/inadequacy of the internal control system in relation to the number and complexity of milestones and targets managed;
- outcomes of previous audits.

Risk analysis for expenditure sampling

Checks on procedures and expenditures (substantive checks) consist of on-desk sample administrative-documentary checks and are aimed, in particular, at certifying the correctness and compliance with the reference legislation, of the entrustment procedures adopted for the implementation of the intervention as well as the actuality, legitimacy and eligibility of the expenses incurred and reported by the Implementing Parties.

The sampling of expenses in the claims of the Implementing bodies takes into account a risk analysis carried out on two levels, according to different risk factors:

1. Risk level of the Measure

The first level considers the risk assessment associated with the measures with reference to the targets and milestones to be achieved (identifying those soon to be due as priorities) and the relative complexity of achievement.

2. Project Risk Level.

The second level deals with elements of risk associated with the operations and the implementing body; which will be followed by the extraction of expenditures included in the most risky project statements, taking into account the amount and type of contractor selection, if any, associated with the expenditure.

1. Risk level of the Measure

Measure risk takes into account the complexity of pursuing the relevant targets and milestones, the verification mechanism, the type of activation procedure for the investment, the number of final recipients and/or interventions. Below are the risk variables considered:

- 1** ***The variable "Implementing Authority/Administration" refers to the body that exercises coordination, oversight and management functions of the implementation phase described by the milestone/target being evaluated:***
 - Central government: Low risk (1);
 - Regional bodies: Medium risk (5);
 - Local governments: High risk (10).
- 2** ***The variable "Number of Implementing Authorities" takes into account the number of local/regional governments or bodies involved in the implementation of the investment, considering a higher risk associated with a higher number of actors due to the greater difficulties in managing the implementation:***
 - Low number of implementing authorities (1 authority): Low risk (1);
 - Medium number of implementing authorities (2-5 authorities): Medium risk (5);
 - High number of implementing authorities (>5 authorities): High risk (10).
- 3** ***The parameter "Type of final beneficiaries - public/private," considers a score for the risk parameter, which, other things being equal, increases in the case of the presence of private rather than public bodies:***
 - Public final beneficiary: Low risk (1);
 - Public and private end beneficiary: Medium risk (5);
 - Private beneficiary: High risk (10).

1. Risk level of the Measure

4 *In relation to the "Number of final beneficiaries," the risk associated with the presence of a larger number of the subjects was considered in relation to the increased difficulties in communication, implementation of the relevant objectives to be achieved:*

- Low number of final beneficiaries (<59 beneficiaries): Low risk (1);
- Medium number of final beneficiaries (60-80 beneficiaries): Medium risk (5);
- High number of final beneficiaries (>80 beneficiaries): High risk (10).

5 *Depending on the factor (Tagging), risk increases in the presence of milestone/target with nonzero percentage values in the climate, environmental or digital domains:*

- Absence of Tag: Low risk (1);
- Presence of Tag: High risk (10).

6 *In the parameter "Complexity of the Verification Mechanism," the greater complexity of the verification mechanism was considered in relation to the analysis of data from different projects/sites or evidence for the achievement of the objective from sources outside the Administration. The following scores were given:*

- Reduced complexity verification mechanism: Low risk (1);
- High complexity verification mechanism: High risk (10).

1. Risk level of the Measure

Following the identification of the risk of the individual variables analyzed for individual Measure targets and milestones, **a single Measure score** was chosen to **represent the highest score among those associated with its individual targets and/or milestones to be achieved.**

Finally, it was chosen to define, for measures with targets due in the reporting year, a final score increased by five points.

The risk ranges for the Measures have been indicated below:

Variable by Measure - Risk associated with measure targets and milestones.			
Variable	Risk	Score	Surcharge for Measures with T/M expiring in the reporting year.
Risk Measure between 0 - 19	Low	1	+ 5
Risk Measure between 20 - 39	Medium	5	+ 5
Risk Measure between 40 - 56	High	10	+ 5

2. Project Risk Level.

The expenditure statements, validated by the implementing body and transmitted informatically through the ReGiS system, present a list of expenditures linked to a Project CUP code. In order to define a sample of expenditures to be substantively audited and to carry out the transmission of the Measure statement, a number of **elements will be considered for the risk assessment at the Project level**, also taking into account the outcome of the risk analysis at the Measure level.

The variables considered in defining the level of risk for the reported Projects are:

- 1 Variable "Financial Value of the Project"
- 2 Variable "Type of implementing body"
- 3 Variable "Percentage of financial realization of the project (amounts reported against the amount funded)"
- 4 Variable "Outcomes of previous audits carried out by audit offices"
- 5 Variable "Riskiness of the implementing party in the Arachne system"

2. Project Risk Level.

1 Variable "Financial Value of the Project"

Variable	Remarks	Risk	Score
0 to 1,000,000	This threshold was identified taking into account the value of the amounts financed.	Low	1
1,000,001 to 5,000,000	This threshold was identified taking into account the value of the amounts financed.	Medium Low	3
From 5,000,001 to 49,999,999	This amount is less than that considered for large funding projects. (Regulations (EU) 1303/2013 and 1060/2021).	Medium	5
50.000.0000 a 99.999.999	This amount relates to large funding projects with increased implementation procedures and expenditures (Regulation (EU) 1303/2013 and 1060/2021).	Medium - High	7
100,000,000 - up	This amount relates to large funding projects with increased implementation procedures and expenditures. (Regulations (EU) 1303/2013 and 1060/2021).	High	10

2. Project Risk Level.

2 Variable "Type of implementing body"

The breakdown takes into account two factors:

- of **organizational logics**, and **the application of plans for the prevention and suppression of corruption** (e.g., organizational model 231/2001 is recommended for companies compared to the provisions of Law No. 190/2012 mandatory for P.A.);
- of the most **experience regarding the management of programs and/or projects co-financed** by EU funds (Administrations that program, implement and/or benefit from EU Programs and Projects).

Variable	Remarks	Risk	Score
Public bodies (regions, municipalities, central government,)	Exclusively central government and state territorial bodies such as the Presidency of the Council of Ministers, ministries and central state administrations, territorial administrations: such as regions, municipalities and metropolitan cities/provinces.	Low	1
Bodies/subjects of public law	Other Public Administration referred to in the list indicated by Istat, published annually (in application of the provisions of Article 1, paragraph 2, of Law No. 196 of December 31, 2009).	Medium	5
Private enterprises	All private bodies and not explicitly mentioned in the previous categories.	High	10

2. Project Risk Level.

3 Variable "Percentage of financial realization of the project. (Reported amounts compared to the amount funded)"

This variable is related to the level of **project progress in terms of** implementing party **payments** included in a **project statement** to the Mission Unit, in relation to the cost of the funded project.

Variable	Remarks	Risk	Score
Progress percentage	Level of progress between 75 and 100 percent	Low	1
Progress percentage	Level of progress between 51 -75%	Medium - Low	3
Progress percentage	Level of progress between 31 -50%	Medium	5
Progress percentage	Level of progress between 20 and 30 percent	Medium - High	7
Progress percentage	Level of progress less than 20 %	High	10

2. Project Risk Level.

4 Variable "Outcomes of previous audits carried out by audit offices"

The variable is related to **the outcomes recorded** in the previous audits carried out on the audited projects and of the reports from Third Party Bodies (*Audit Unit, European Commission Services, Other National or Community Audit Bodies*).

Variable	Remarks	Risk	Score
Positive Outcome	previous positive controls	Low	1
Partially positive outcome	previous partially positive controls	Medium Low	3
Project never submitted for review	Project never checked	Medium	5
Negative Outcome	previous negative controls	Medium - High	7
Alleged irregularity	Alleged irregularities detected	High	10

2. Project Risk Level.

5 Variable "Riskiness of the implementing party in the Arachne system"

The definition of the overall risk degree of projects will be completed using the ARACHNE system.

If the *Arachne* system returns, for one or more sampled implementing bodies, a high risk score (between 40 and 50) for the indicator "Fraud Alert or Reputation Risk," the relevant project will always be considered sampled; in other cases, risk thresholds will be indicated based on the reporting bands already in the system. As a matter of prudence, it was chosen to score the variable even if the implementing body is not on the *Arachne* list.

VARIABLE	LEVEL OF RISK	SCORE
Presence of the implementing body on the Arachne list with an overall score from 0 to 24	LOW	1
Implementing body not listed Arachne	MEDIUM LOW	3
Presence of the Implementing body on the Arachne list with an overall score of 25 to 39.	MID	5
Presence of the implementing body on the Arachne list with an overall score of 40 to 50	HIGH	ALWAYS CHAMPIONSHIP

In summary: the expenditure sampling process

The drawing of a sample of expenditures will be bimonthly, and in any case preparatory to the submission of the Measure Report to the NRRP Inspectorate General. The sample should represent at least 10 percent of the expenditure included in the project statements. The sampling activity, therefore, consists of a series of procedural steps:

1

Acquisition of statements, which have already undergone formal control, to be subjected to substantive verification on a sample basis, in the period relating to the relevant bimonthly period by the fifteenth of the month, in order to send the accounting to the General Inspectorate for NRRP

2

Performing risk analysis and assigning risk scores to different Projects, also considering the riskiness of the Measure on which the project is funded

3

integration of risk analysis using the Arachne system, considering "always sampled" projects whose implementing body has a high score (between 40 and 50) for the indicator "Fraud alert or reputation risk"

4

Identification of the highest scoring subjects and related project Cups

5

within the projects with the highest score or identified as "always sampled" the expenses to be audited will be identified up to the amount to be sampled

The extraction of the sampled expenditure

Following the definition of the sample of projects with the highest ranking, it will be possible to proceed in descending order of scoring, with the extraction of the expenses with the highest amount

In the event that the expenses drawn are higher than the minimum threshold identified for sampling, the expenses with the highest amounts will be selected in descending order until the minimum threshold for sampling is reached

In case the drawn expenses are lower, additional expenses related to projects of the immediately lower ranking than the last drawn expenses will be selected, until the minimum threshold indicated is reached

Expenses pertaining to projects with the highest risk score will be considered in descending order until the amount to be sampled, which is 10 percent of the amount reported, is reached.

In case of parity and/or proximity in the risk score for the project, a distinction between expenditures may be made using the variable "*type of award procedure.*"

The extraction of the sampled expenditure - Variable "Adjudication Procedure"

In order to be able to make a greater distinction between expenditures to be sampled included in a project statement, it may be possible to take into account either the contracting procedures associated with the expenditures in the ReGiS system or expenditures not associated with any contracting procedures.

Variable	Remarks	Risk	Score
Framework agreements, CONSIP conventions/framework contracts, purchases through the use of MEPA	The procedure implies greater competitive openness, less complexity and discretion in administrative action in administrative procedures.	LOW	1
Other expenses not associated with any award process or related to business grant projects	The residual types of expenses referred to in this category are traced back to "in-house foster care" expenses, "personnel expenses," and/or "mission" or "overhead" expenses.	MEDIUM - LOW	3
competitive procedure with negotiation or competitive dialogue	The procedure implies greater competitive openness but less complexity in administrative procedures.	MID	5
Under and over threshold open procedure	The procedure implies greater competitive openness but greater complexity in administrative procedures.	MID	5
Direct contracting	Procedure involving less use of the market in a competitive form.	MEDIUM - HIGH	7
Negotiated procedures with and without notice	Procedure involving less use of the market in a competitive form.	HIGH	10
Other contracting arrangements (variants, similar services etc.)	The riskiness is related to the need for verification of conditions required for contract changes without calling for a new bidding process.	HIGH	10
Granting of financing to Enterprises	The riskiness is related to excessive numbers, small amounts financed, and the type of subject financed.	MID	5

An example on a NRRP project of MASE: Investment 3.1 - protection and enhancement of urban and suburban green areas

An exemple: M2C4 Investment 3.1 - Protection and enhancement of urban and suburban green areas

TOTAL COST 210 million euros

- the Investment aims to protect green areas and increase their number, with the goal of both preserving and strengthening biodiversity and improving the quality of life for the inhabitants of these areas.
- The selection and planting of tree and shrub units should be done in accordance with the **Forestation Plan** according to the principle of the **right tree in the right place** (native species).
- Specifically, the investment is **aimed at Metropolitan Cities and their 1,268 municipalities** where more than 21 million people live in a territory that occupies an area of 4.663 million hectares, or 15.47 percent of the national territory and includes, in addition to urban ecosystems, natural ecosystems and agro-ecosystems. **It is implemented through two public notices.**
- It is not an urban green project but a forestation project, and administrations must identify areas where they have the **legal availability**, where **microforests with sustainable forestry** should be established.
- The Plan also covers the costs of **maintenance** and thus future sustainability of the forests!

An exemple: M2C4 Investment 3.1 - Protection and enhancement of urban and suburban green areas

GOVERNANCE



COMPETENT DIRECTORATE

- Directorate General for Natural Heritage and the Sea (PNM)
- General Directorate of Financial Management, Monitoring, Accounting and Control (GEFIM)



IMPLEMENTING PARTY

- Metropolitan Cities (CM)



CONTRACTING STATION

- Metropolitan Cities (CM)
- Municipalities



IMPLEMENTING PARTY

- Companies

MILESTONES AND TARGETS



M2C4-18-M (T4 2021) Indication in the relevant legislative acts of the adoption of the urban forestation plan - **ACHIEVED BY DM No. 493 of Nov. 30, 2021**



M2C4-19-T (T4 2022) Planting at least 1,650,000 trees for the protection and enhancement of urban and suburban green areas - **ACHIEVED WITH MORE THAN 2,000,000 UNITS OF ARBORAL AND ARBUSTIVE SPECIES PLANTED WITH CONNECTION TO FINAL DESTINATION**



M2C4-20-T (T4 2024) Plant at least 4,500,000 trees for the protection and enhancement of urban and suburban green areas



M2C4-20bis -T (T2 2026) transplant in situ at least 3,500,000 trees for the protection and enhancement of urban and suburban green areas

COMPETENT DIRECTORATE	IMPLEMENTING PARTY	PROCEDURE	RESOURCES (€)	PROJECTS ELIGIBLE FOR FUNDING
Directorate-General for Natural Heritage and the Sea (PNM)	City Subways (CM)	1st Public Notice of 30/03/2022 - Annual 2022	83.255.422	34
	Metropolitan Cities (CM)	2nd Public Notice of 02/05/2023 - Annual 2023-2024	113.179.421,56	52

Case study: M2C4I3.1 Protection and enhancement of urban and

RISK LEVEL OF MEASUREMENT

Sequential Measure NRRP	NRRP measure	Code Seq. M&T	M&T name	Overall risk assessment - Score
M2C4I3.1	Protection and enhancement of urban and suburban greenery	M2C4-18	Indication in relevant legislative acts of the adoption of the urban forestation plan	0.0
		M2C4-19	Planting trees for the protection and enhancement of urban and suburban green areas T1	43,0
		M2C4-20	Planting trees for the protection and enhancement of urban and suburban green areas T2	52,0

After identifying the total risk score associated with the individual milestone/target, a single Measure score is identified that represents the highest score among those associated with its individual targets and/or milestones to be achieved. Since, in addition, the Measure in question has targets due in the reporting year, the final score is increased by five points.



Risk Measure	increased risk measure for T&M year 2024
52	5

Case study:

M2C4I3.1 Protection and enhancement of urban and suburban greenery.

Expenditures reported in the **November-December 2023 period** include two projects funded on Measure M2C4 I3.1 (CUP 1 and CUP 2)

RISK ANALYSIS OF PROJECTS				
Unique Project Code	Implementing Party	Risk Score Measure	Project cost risk	Ranking
XXX	XXX	57	17	74
XXX	XXX	34	38	72
CUP 1	XXX	57	13	70
CUP 2	XXX	57	13	70

← third score in descending order

EXPENDITURE SAMPLING

Sampling higher **amount expenditures**, pertaining to higher ranking projects, **within the percentage of 10% of total reported expenditure.**

Thank you for your attention!!!



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